



ELECTION TO DEEM AMOUNT OF SETTLEMENT OF A DEBT OR OBLIGATION

FOR DEPARTMENTAL USE ONLY

A parent corporation (the "parent") shall use this form to elect under subsection 80.01(4) where:

- (1) subsection 88(1) applies on the winding-up of a subsidiary corporation (the "subsidiary"); ie. the wind-up of a subsidiary, at least 90% of whose shares are owned by the parent, where both the parent and subsidiary are taxable Canadian corporations and
- (2) a debt or other obligation (the "debt") of the subsidiary to pay an amount to the parent, or vice versa, is settled or extinguished on the winding-up without any payment or by the payment of an amount that is less than both the principal amount* of the debt and the cost amount** thereof to the parent or subsidiary, as the case may be, immediately before the winding-up.
- The debt is deemed by virtue of this election to have been settled or extinguished by payment of an amount equal to the cost amount.
- The parent shall complete and file this form
 - on or before the day the parent is required to file a return pursuant to section 150 for the taxation year in which the debt was settled or extinguished,
 - **SEPARATE FROM ANY TAX RETURNS:** (if filed in the same envelope with another return, it must not be inserted nor attached to the other return.)
 - at the Taxation Centre where it normally files its tax returns.
- Sections, subsections and paragraphs referred to in this form are those of the *Income Tax Act*.
- Paragraph 80.01(4) provides that whenever a subsidiary's obligation is settled on a distribution of property in the course of winding-up to which subsection 88(1) applies, the time at which the debt is settled is deemed to be the time that is immediately before the time that is immediately before the time of the distribution. This rule ensures that there is an appropriate reduction under section 80 in the cost amount of distributed property.
- The effect of this election is to enable the parent to reduce the amount to which subsection 80(1) (debtor's gain on settlement of debts) might otherwise apply in cases where the amount paid for the debt on winding-up is less than the cost amount**. For additional information, refer to current Interpretation Bulletins IT-126 and IT-142.

NAME OF PARENT (PRINT)	CORPORATION ACCOUNT/BUSINESS NUMBER
ADDRESS	TAX SERVICES OFFICE
FISCAL PERIOD From: Year Month Day To: Year Month Day	
NAME OF PERSON TO CONTACT FOR ADDITIONAL INFORMATION	TELEPHONE NUMBER
ADDRESS	
NAME OF SUBSIDIARY (PRINT)	CORPORATION ACCOUNT/BUSINESS NUMBER
ADDRESS	TAX SERVICES OFFICE
DATE SUBSIDIARY WAS WOUND-UP Year Month Day	

DEEMED AMOUNT OF SETTLEMENT PURSUANT TO THIS ELECTION

A. Amount of payment, if any _____ \$ _____

B. Principal amount * of the debt _____ \$ _____

C. Cost amount ** of the debt - DEEMED AMOUNT OF SETTLEMENT _____ \$ _____

- Documentation to support the above amounts need not be submitted but should be retained for examination on request.

Notes:

- * "Principal amount" with respect to a debt for interest payable settled or extinguished after May 9, 1985 is deemed to be the portion thereof that has been deducted in computing the income of the subsidiary or parent, as the case may be, or would have been so deductible but for subsections 18(2) or (3.1) or section 21.
- ** "Cost amount" is as defined in section 248, but read without reference to paragraph (e) thereof; and includes amounts added in computing the creditor's income in respect of the portion of the indebtedness representing unpaid interest, to the extent that the parent or the subsidiary has not deducted any amount as bad debts in respect of that unpaid interest.

ELECTION AND CERTIFICATION

The above-named parent elects under subsection 80.01(4) in respect of the debt owed to or by the above-named subsidiary. I hereby certify that the information given in this election is true, correct and complete in every respect.

_____ Date _____ Signature of authorized Officer of Parent Corporation _____

_____ Position or Office of Authorized Officer _____

